## Contents

1	Introduction	1
2	German Unification: Some Stylized Facts	3
3	Theoretical Model	8
4	Empirical Assessment 4.1 Structure of the Model	12 12 12 14
5	Policy Simulations	22
6	Conclusions	25
Appendix		30
L	ist of Figures	
	Output, employment and investment Adjustment: East to west Price and quantity adjustment Employment series Simulated effects of export and fiscal policy shocks Productivity	$\frac{4}{7}$ $\frac{7}{9}$ $\frac{19}{23}$ $\frac{29}{29}$
L	ist of Tables	
	Error Correction Models for Equipment and Construction	17 21